

DISTRICT I  
1625 N. French Dr., Hobbs, NM 88240

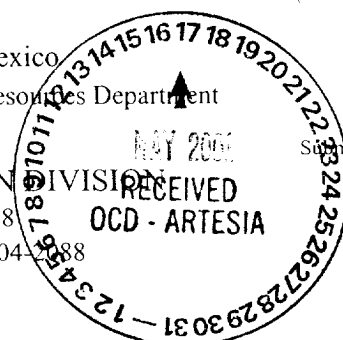
DISTRICT II  
811 South First, Artesia, NM 88210

DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV  
2040 South Pacheco, Santa Fe, NM 87501

State of New Mexico  
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION  
PO BOX 2088  
Santa Fe, NM 87504-2088



Form C-101  
Revised March 17, 1999  
Instructions on back  
Submit to appropriate District Office  
State Lease - 6 Copies  
Fee Lease - 5 Copies

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

<sup>1</sup> Operator Name and Address Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210		<sup>2</sup> OGRID Number 025575
		<sup>3</sup> API Number 30- 015- 31793
<sup>4</sup> Property Code 27485	<sup>5</sup> Property Name Lucy ALC State	<sup>6</sup> Well No. 3

<sup>7</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South Line	Feet from the	East/West Line	County
J	34	21E	31E		1710'	South	1980'	East	Eddy

<sup>8</sup> Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South Line	Feet from the	East/West Line	County
<sup>9</sup> Proposed Pool 1 Undesignated Lost Tank Delaware					<sup>10</sup> Proposed Pool 2 PLEASE NOTE ATTACHED POTASH AGREEMENT.				

<sup>11</sup> Work Type Code N	<sup>12</sup> Well Type Code O	<sup>13</sup> Cable/Rotary R	<sup>14</sup> Lease Type Code S	<sup>15</sup> Ground Level Elevation 3486'
<sup>16</sup> Multiple N	<sup>17</sup> Proposed Depth 8500'	<sup>18</sup> Formation Delaware	<sup>19</sup> Contractor Not Determined	<sup>20</sup> Spud Date ASAP

<sup>21</sup> Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight 'feet	Setting Depth	Sacks of Cement	Estimated TOC
17 1/2"	13 3/8"	48#	650'	450 sx	Surface
11"	8 5/8"	32#	4150'	1400 sx	Surface
7 7/8"	5 1/2"	15.5# + 17#	8500'	750 sx	<del>700-8000'</del>

<sup>22</sup> Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Yates Petroleum Corporation proposes to drill and test the Delaware and intermediate formations. Approximately 650' of surface casing will be set and cement circulated to shut off gravel and cavings. If commercial, production casing will be run and cemented, will perforate and stimulate as needed for production.

MUD PROGRAM: 0-650' FW/Native Mud; 650'-4150' Brine; 4150'-6500' Cut Brine; 6500'-8500' Cut Brine/Starch.

BOPE PROGRAM: A 3000# BOPE will be installed on the 8 5/8" casing and tested daily.

<sup>23</sup> I hereby certify that the information given above is true and complete to the best of my knowledge and belief.  
Signature: *Cy Cowan*

Printed name: Cy Cowan

Title: Regulatory Agent

Date: 05/17/01

Phone: (505) 748-1471

OIL CONSERVATION DIVISION

Approved by: **ORIGINAL SIGNED BY TIM W. GUM**  
**DISTRICT II SUPERVISOR**

Title: **MAY 18 2001**  
Approval Date: **MAY 18 2002**  
Expiration Date: **MAY 18 2002**

Conditions of Approval  
Attached ☐

NOTIFY OCD SPUD & TIME TO WITNESS  
CEMENTING OF ALL CASING STRINGS

**DISTRICT I**  
1885 N. French Dr., Hobbs, NM 88240

**DISTRICT II**  
811 South First, Artesia, NM 88210

**DISTRICT III**  
1000 Rio Brazos Rd., Artesia, NM 87410

**DISTRICT IV**  
2040 South Pacheco, Santa Fe, NM 87506

**State of New Mexico**  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised March 17, 1999  
Instruction on back  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

**OIL CONSERVATION DIVISION**  
P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

API Number		Pool Code	Pool Name Undesignated Lost Tank Delaware
Property Code	Property Name LUCY "ALC" STATE		Well Number 3
OGEID No. 025575	Operator Name YATES PETROLEUM CORPORATION		Elevation 3486

**Surface Location**

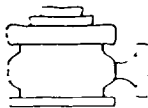
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	34	21S	31E		1710	SOUTH	1980	EAST	EDDY

**Bottom Hole Location If Different From Surface**

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.						

**NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION**

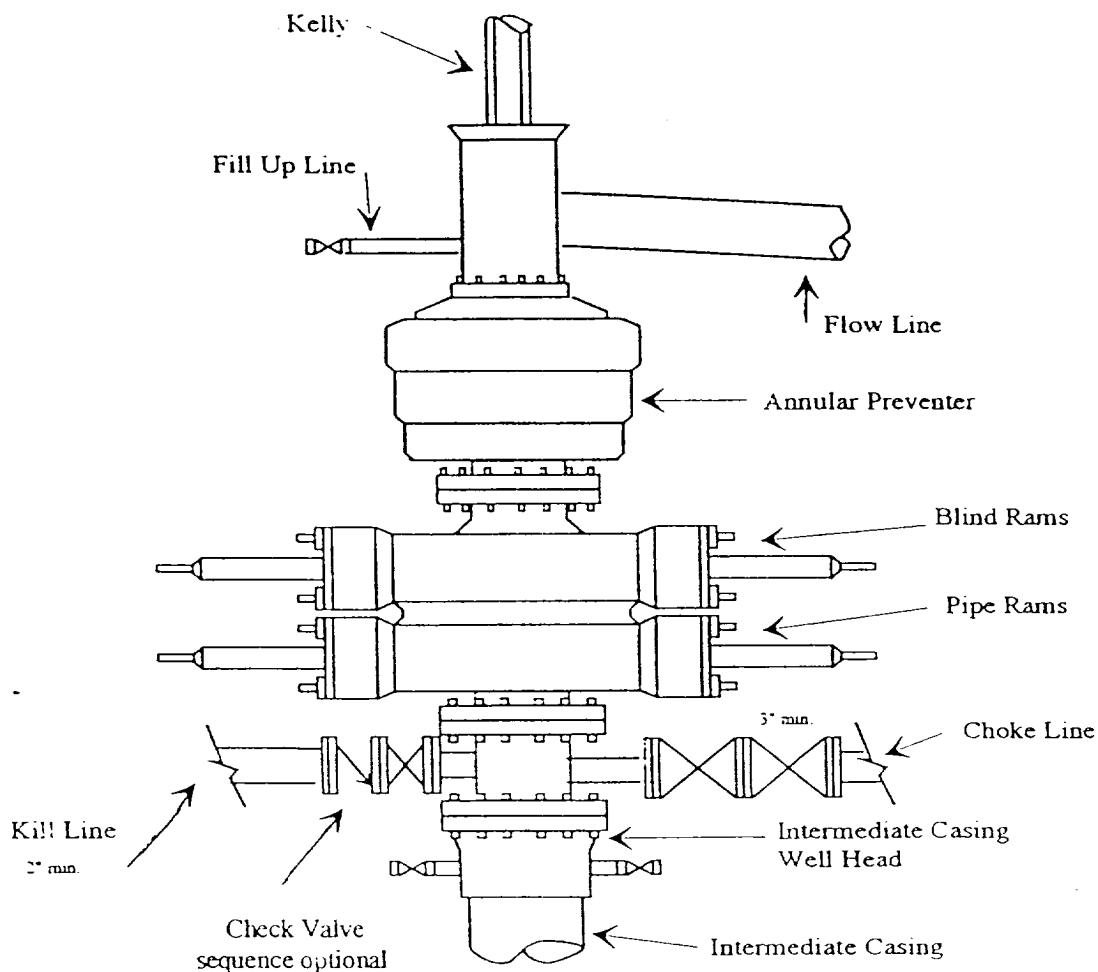
	<p align="center"><b>OPERATOR CERTIFICATION</b></p> <p><i>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p align="right"><i>Cy Cowan</i></p> <p>Signature _____</p> <p>Printed Name <u>Cy Cowan</u></p> <p>Title <u>Regulatory Agent</u></p> <p>Date <u>May 17, 2001</u></p>	
	<p align="center"><b>SURVEYOR CERTIFICATION</b></p> <p><i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i></p> <p align="right">5/10/2001</p> <p>Date Surveyed _____</p> <p>Signature &amp; Seal of Professional Surveyor _____</p> <p align="center"> </p> <p>Certificate No. <u>Herschel L. Jones RLS 3640</u></p> <p><u>LUCY 3</u></p> <p align="center">GENERAL SURVEYING COMPANY</p>	



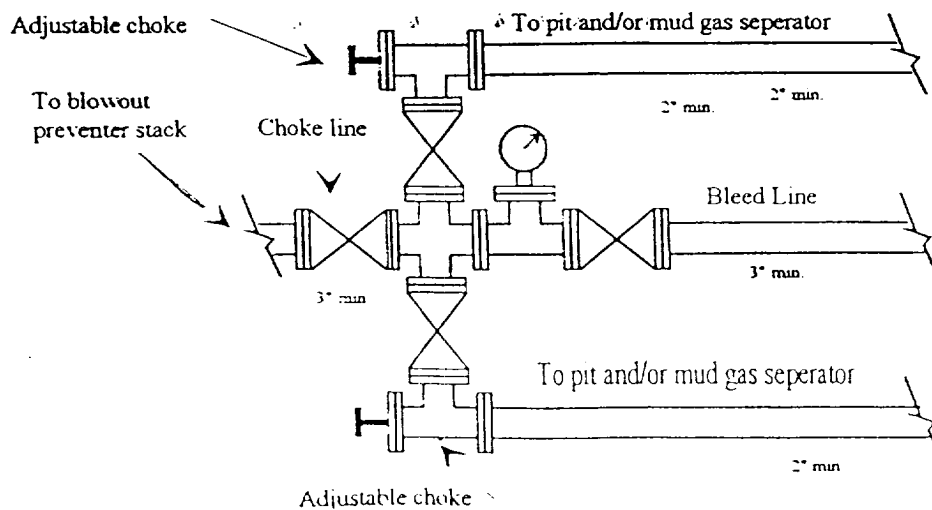
# Yates Petroleum Corporation

BOP-3

## Typical 3,000 psi Pressure System Schematic Annular with Double Ram Preventer Stack



Typical 3,000 psi choke manifold assembly with at least these minimum features



## AGREEMENT

This Agreement is entered into effective June 16, 2000 by Mississippi Potash, Inc. ("MPI"), whose address is P.O. Box 101, Carlsbad, New Mexico 88221, Pogo Producing Company ("Pogo"), whose address is P.O. Box 10340, Midland, Texas 79702, and Yates Petroleum Corporation ("Yates"), whose address is 105 South Fourth Street, Artesia, New Mexico 88210.

### **WHEREAS:**

1. MPI is the lessee of State of New Mexico Potash Mining Lease M-4510, dated May 2, 1988, which covers, among other lands, the NE¼, N½SE¼, and SE¼SE¼ of Section 34 and All of Section 35, and State of New Mexico Potash Mining Lease MP-29 covering the W½ of said Section 34, all in Township 21 South, Range 31 East, N.M.P.M., Eddy County, New Mexico;
2. Pogo is a lessee and the operator of State of New Mexico Oil and Gas Lease V-3604, covering All of Section 35, Township 21 South, Range 31 East, N.M.P.M., Eddy County, New Mexico ("Section 35");
3. Yates is a lessee and the operator of State of New Mexico Oil and Gas Leases V-3850 and V-4100, collectively covering all of Section 34 (except the SW¼SE¼), Township 21 South, Range 31 East, N.M.P.M., Eddy County, New Mexico ("Section 34");
4. Sections 34 and 35 are within the oil-potash area of southeast New Mexico as defined in New Mexico Oil Conservation Division ("OCD") Order No. R-111-P;
5. Pogo has filed with the OCD Applications for Permits to Drill ("APD") sixteen oil wells in Section 35, which MPI has objected to by letters dated in March 1998;
6. Pogo has applied to the OCD in Case No. 12406 for approval of four of the APD's described in paragraph 5 above, and that case is scheduled for hearing at 8:15 a.m. on June 19, 2000 at the OCD's offices in Santa Fe, New Mexico; and
7. MPI, Pogo, and Yates desire to settle their differences with respect to potash operations and oil development in Sections 34 and 35. MPI shall have the right to a corridor for mining, or drifts or tunnels, through Sections 34 and 35, and Pogo and Yates shall be allowed to drill oil wells in Sections 34 and 35.

### **NOW, THEREFORE, IT IS AGREED THAT:**

- A. MPI shall have a 1320 foot wide corridor through Sections 34 and 35, as platted on Exhibit A and described by legal subdivisions on Exhibit B;

B. Yates shall be allowed to drill oil wells in Section 34 and Pogo shall be allowed to drill oil wells in Section 35 at locations in their discretion so long as the wellbores are not within the corridor described in paragraph A above, and in Exhibits A and B, and Yates and Pogo agree not to file applications for permit to drill oil wells at locations within the corridor;

C. MPI hereby waives objection to any oil wells located in Sections 34 and 35 on oil and gas leases now owned by Yates or Pogo which comply with paragraph B above. For purposes of this Agreement, "oil well" shall mean a well drilled to a depth no deeper than 200 feet below the base of the Delaware formation. This waiver of objection by MPI shall satisfy any requirements set forth in Order No. R-111-P, and well operators shall not be required to obtain further waivers of objection from MPI with respect to oil wells in Sections 34 and 35, so long as the well locations comply with paragraph B above. In the event that the OCD requires a separate waiver for any specific location that complies with paragraph B above, MPI shall execute any such waiver consistent with the terms of this Agreement;

D. The prohibition of well locations described in paragraphs A and B above does not apply to well pads, surface facilities, gathering lines, pipelines and other facilities and equipment (except the well) that are on or near the surface;

E. Upon execution of this Agreement by all parties, Pogo shall dismiss OCD Case No. 12406;

F. This Agreement is executed by the duly authorized representatives of MPI, Pogo, and Yates, and is binding on their respective successors and assigns.

G. This Agreement is being executed in three multiple counterparts so each party may retain an original executed Agreement. Each counterpart shall be deemed an original for all purposes. The signatures of the authorized representative of each party may appear on separate signature pages and the signature pages may be reassembled to form a complete original counterpart.

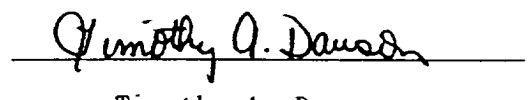
Pogo Producing Company



Name: Jerry A. Cooper

Title: Senior Vice President

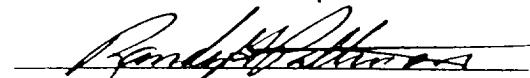
Mississippi Potash, Inc.



Name: Timothy A. Dawson

Title: Vice President & Treasurer

Yates Petroleum Corporation



Name: Randy G. Patterson

Title: Attorney-in-Fact

STATE OF TEXAS

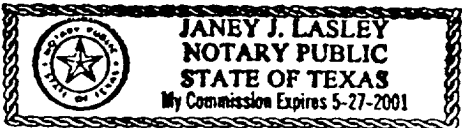
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COUNTY OF MIDLAND

This instrument was acknowledged before me on this 28 day of June, 2000, by Jerry A. Cooper, Senior Vice President of Pogo Producing Company, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

5.27.2001



Janey J. Lasley  
NOTARY PUBLIC IN AND FOR THE  
STATE OF TEXAS

STATE OF NEW MEXICO

§  
§  
§

COUNTY OF EDDY

This instrument was acknowledged before me on this 3 day of July, 2000, by Randy G. Patterson, Attorney-in-Fact of Yates Petroleum Corporation, a New Mexico corporation.

My Commission Expires:

3/1/02

Theresa S. Holloway  
NOTARY PUBLIC IN AND FOR THE  
STATE OF NEW MEXICO

STATE OF MISSISSIPPI      §  
   §  
COUNTY OF YAZOO                   §

          This instrument was acknowledged before me on this 25th day of  
July, 2000, by Timothy A. Dawson,  
Vice President & Treasurer of Mississippi Potash, Inc.,  
a Mississippi corporation.

My Commission Expires:

My Commission Expires  
July 14, 2001

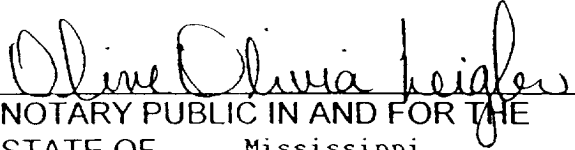
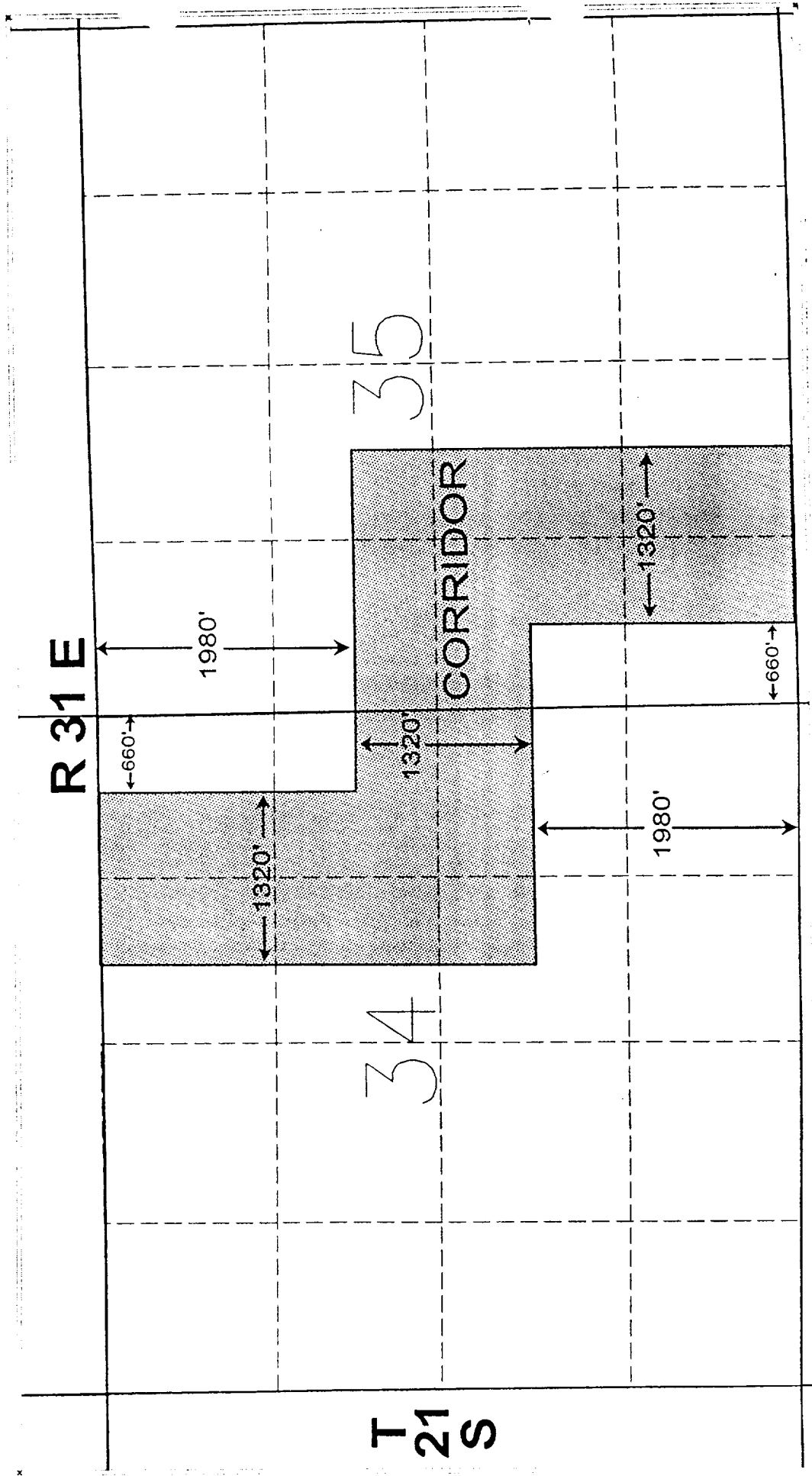
  
NOTARY PUBLIC IN AND FOR THE  
STATE OF Mississippi

EXHIBIT "A"





## EXHIBIT B

### Legal Description of Corridor

The following described lands located in Eddy County, New Mexico:

#### Township 21 South, Range 31 East, N.M.P.M.

Section 34:  $W\frac{1}{2}NE\frac{1}{4}NE\frac{1}{4}$   
 $E\frac{1}{2}NW\frac{1}{4}NE\frac{1}{4}$   
 $W\frac{1}{2}SE\frac{1}{4}NE\frac{1}{4}$   
 $E\frac{1}{2}SW\frac{1}{4}NE\frac{1}{4}$   
 $SE\frac{1}{4}SE\frac{1}{4}NE\frac{1}{4}$   
 $NE\frac{1}{4}NW\frac{1}{4}SE\frac{1}{4}$   
 $N\frac{1}{2}NE\frac{1}{4}SE\frac{1}{4}$

Section 35:  $S\frac{1}{2}SW\frac{1}{4}NW\frac{1}{4}$   
 $SW\frac{1}{4}SE\frac{1}{4}NW\frac{1}{4}$   
 $N\frac{1}{2}NW\frac{1}{4}SW\frac{1}{4}$   
 $SE\frac{1}{4}NW\frac{1}{4}SW\frac{1}{4}$   
 $W\frac{1}{2}NE\frac{1}{4}SW\frac{1}{4}$   
 $E\frac{1}{2}SW\frac{1}{4}SW\frac{1}{4}$   
 $W\frac{1}{2}SE\frac{1}{4}SW\frac{1}{4}$

For all depths from the surface down to the base of the Salado formation which is located at a subsurface depth of 2461 feet in the CNLD log (compensated neutron litho density log) of the Mary "AIV" State Well No. 5, located 660 feet FNL and 330 feet FEL of Section 36, T21S, R31E, N.M.P.M.